

Message Text

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TO AMEMBASSY MADRID
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SUBJECT: COUNTERVAILING DUTIES - VITAMIN K
REF: STATE 278724, STATE 114367

1. THE ECONOMIC COUNSELOR OF THE SPANISH EMBASSY PRESENTED THE FOLLOWING NOTE REGARDING COUNTERVAILING DUTIES ON VITAMIN K TO DEPARTMENT OFFICERS DECEMBER 3. DEPARTMENT OFFICERS REPLIED THAT NOTE WILL BE CONVEYED TO APPROPRIATE OFFICE FOR CONSIDERATION AND NOTED (IN REPLY TO PARA 2) THAT US COUNTERVAIL LAW IS "GRANDFATHERED" UNDER PROVISIONS OF US ACCESSION TO GATT; BUT IS ADMINISTERED IN ACCORD WITH GATT ARTICLE VI (4).

UNOFFICIAL SPANISH EMBASSY TRANSLATION OF NOTE FOLLOWS:

THE EMBASSY OF SPAIN PRESENTS ITS COMPLIMENTS TO THE DEPARTMENT OF STATE AND HAS THE HONOR TO REFER TO THE DETER-

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MINATION OF THE TREASURY DEPARTMENT PUBLISHED IN THE

FEDERAL REGISTER OF NOVEMBER 16, 1976, IMPOSING COUNTER-
VAILING DUTIES OF 10.5 TO IMPORTS OF VITAMIN K FROM SPAIN.

IN CONNECTION WITH THIS NEW COUNTERVAILING DUTY DETERMINATION
ON ANOTHER PRODUCT FROM SPAIN, THE EMBASSY OF SPAIN,
FOLLOWING INSTRUCTIONS FROM ITS GOVERNMENT, REGRETS TO INFORM

THE U.S. GOVERNMENT ITS DISAGREEMENT WITH A MEASURE WHICH -
LIKE THOSE ADOPTED IN SEPTEMBER 1974 ON FOOTWEAR AND CANNED
GREEN OLIVES - IS UNILATERAL AND CONSTITUTES A VIOLATION
OF ART. VI (4) OF THE GATT.

AS POINTED OUT IN VERBAL NOTE OF THIS EMBASSY DATED JUNE
21, 1976, THE TAX EXPORT REBATE PROCEDURE WAS FULLY EX-
PLAINED IN VARIOUS MEETINGS WHICH TOOK PLACE IN 1973 AND
1974 BETWEEN THE U.S. AND SPANISH DELEGATIONS, AS WELL AS
IN SEVERAL VERBAL NOTES SENT TO THE DEPARTMENT AND TO THE
U.S. EMBASSY IN MADRID. IT WAS ALSO MADE CLEAR THAT THE
TAX EXPORT REBATE SYSTEM IS IN AGREEMENT WITH ART. XVI OF
THE GATT. IN VERBAL NOTE NO. 445 OF SEPTEMBER 13, 1974, THE
MINISTRY OF FOREIGN AFFAIRS SPECIFICALLY STATED THAT
"THE GOVERNMENT OF SPAIN PLACES ITS EMPHASIS UPON DECLARING
ONCE MORE THAT THE EXPORT REBATE SYSTEM -- DOES NOT
INVOLVE ANY SUBSIDY TO EXPORTS (OF SAID PRODUCTS) AND IS
NOT CONTRARY TO THE GATT RULES".

AS FOR THE CASE OF THE VITAMIN K, THE EMBASSY OF SPAIN
WISHES TO STATE ONCE MORE THAT IT DOES NOT INVOLVE ANY
TYPE OF BOUNTY OR GRANT. IT IS ONLY A MATTER OF
REIMBURSING THE INDIRECT TAXES COLLECTED DURING THE
PRODUCTION AND MARKETING PROCESS, IN ACCORDANCE WITH THE
INTERNATIONAL PRACTICES ACCEPTED BY THE GATT.

ON THE OTHER HAND, IT SHOULD BE POINTED OUT THAT THE
INVESTIGATION AND SUBSEQUENT DECISION OF THE TREASURY ON
THE VITAMIN K IS SURPRISING INASMUCH AS IT REFERS TO EXPORTS
TO THE THE U.S. OF INSIGNIFICANT AMOUNTS DURING 1974,
PRACTICALLY NIL IN 1975 AND FOR ONLY \$15,000 FROM JANUARY/
AUGUST 1976 ACCORDING TO TREASURY'S OWN STATISTICS. THIS
AMOUNT IS PREPOSTEROUS IN THE CONTEXT OF THE U.S./SPAIN
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TRADE BALANCE WHICH REGISTERED A DEFICIT AGAINST SPAIN IN
1975 OF ALMOST \$1.8 BILLION AND OF APPROXIMATELY \$1
BILLION IN THE ABOVE MENTIONED PERIOD JANUARY/AUGUST 1976.

THE EMBASSY OF SPAIN THEREFORE WISHES TO RENEW THE REQUEST
OF THE SPANISH GOVERNMENT THAT THIS MATTER BE BROUGHT UP
WHEN DISCUSSING THE COUNTERVAILING DUTIES IN THE PROPOSED
MEETING OF THE U.S./SPAIN JOINT ECONOMIC COMMITTEE.

THE EMBASSY OF SPAIN AVAILS ITSELF OF THIS OPPORTUNITY TO
RENEW TO THE DEPARTMENT OF STATE THE EXPRESSION OF ITS
HIGHEST CONSIDERATION.

WASHINGTON, D.C. DECEMBER 3, 1976 KISSINGER

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